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~~MMH~~
VISA

DATE: AUGUST 15, 1997

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GOVERNMENT
DEPOSITION
EXHIBIT
716

P-0239


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L070174

MEMO

Date: August 15, 1997

To: Maria Cristina Abella - Miami
Bob Couch - Foster City
Jeanne Cox - Singapore
Sue Curtis - London
Rick Pyves - Toronto
Caris Watson - London

From: Susan Murdy  Foster City

Subj: Issues Management Board Status Report

cc: Louise Tingstrom

Via FAX

As promised, attached is a summary of issues discussed and actions taken as a result of Central's first Issues Management Board meeting. Please let me know if you have any questions regarding this report.

As I mentioned in the meeting this week, I am attempting to get some deliverables out of the Board, but it is an evolving process that has just begun. It is, however, a good forum to get high level discussion from Central executives on issues that impact the regions, so please continue to keep me advised of significant issues that arise/are continuing in your areas.

Also, I will be working with Dave to adapt the exposure report to provide issues summaries which are more in-depth than what are currently provided in the Exposure Report.

attachment

MEMO

Date: August 15, 1997
To: Issues Management Board
From: Susan Murdy
Subj: Issues Management Status
cc: Jan Soderstrom, Louise Tingstrom

Since the Issues Management Board (IMB) met on April 15, the following subsequent actions have taken place:

American Express**1- Citibank/AmEx Merger**

The board identified the potential Citibank/American Express merger as the most significant issue facing Visa. It was suggested in the meeting that Bill Chenevich be approached to tackle the issue (under his then role as strategist for Visa). A meeting with Bill was held (Bill raised several good ideas), but with the subsequent reorganization of GSS, Bill relinquished his strategist role to assume Systems responsibilities. A second meeting with Tom Kappock, newly named to oversee corporate strategy, was held.

Subsequent to these meetings, I outlined three possible Citibank/American Express scenarios and asked our public relations agency, Ketchum Public Relations, to develop appropriate positioning and Q & As for each. I then followed-up with Bill Moore to inquire about additional merger rumors who briefed Jan and me on the plans the U.S. region had been developing. Bill put me in touch with Andrzej Lubowsky who is analyzing this situation full-time. Our interest prompted Andrzej to contact U.S. Corporate Relations which has now taken the lead on the issue, although no positioning or planning has been forthcoming.

Status: U.S. has the lead.

2- Bank Partnerships with American Express

Two suggestions came out of our discussion: 1- Ed Jensen's CEO meetings be re-visited (that is, Ed would visit key bank CEOs to emphasize the value Visa offers them as opposed to any relationship a bank might form with American Express). These types of meetings are now planned as part of the Partner Program campaign, beginning this year. 2- Determine how successful the card programs AmEx has established with Visa banks actually are.

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On the second point, I met with Harvey Bondar and Dale Fehringer to ask for their help in assessing the success of these card programs. Dale has compiled a comprehensive study of American Express and its various programs, which partially addresses the various programs' success. Dale utilized all the contacts he had and the report is good; it doesn't, however, provide in-depth detail about specific bank programs in terms of number of cards issued, market share, etc. This information is likely not available.

Status: The report has been distributed to Corporate Relations in each region for them to take the appropriate action.

Mondex vs. Visa Chip Platform

This was discussed as a significant issue from the perspective that, long term, Mondex may eventually be a Visa partner or that we must in some way cooperative on the issue of interoperability.

The action here was for Jan to follow-up with Ed Jensen, and the response is that Visa will continue to compete against Mondex in the near term (Ed's position at the All Board meeting and in subsequent media interviews has been that Mondex is a competing brand).

Global Online Acceptance Strategy

At our meeting, Una advised that Visa's strategy would be resolved in the next 30 days and that no action need be taken. I suggest that, since this is a product issue, it not continue to be included as a discussion item for the IMB.

Discover/JCB

In our discussion, Ray Barnes pointed out that, up until a year ago, JCB had been a very contentious issue with the MEC regarding establishing an acceptance base with Visa Members to issue cards. As issues, both JCB and Discover are dormant – but the underlying risk still remains.

The action was for me to ask Harvey's group to set up an intelligence gathering/monitoring capability. Dale Fehringer is proceeding with this course of action.

"Honor All Cards"

Ray, Una and Harvey felt this was a significant issue since so much is riding on the outcome of the Walmart/retailers lawsuit in the U.S. If Visa does not prevail, there will be spillover into other regions. Ray felt it was one of the most significant issues potentially facing Visa as it goes to the heart of our acceptance capability.

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The action was for me to check with the U.S. Region to determine what contingency plans have been put into place. U.S. Corporate Relations has no contingency plan in place, and the legal experts believe this case will be tied up in the courts for about two years.

Surcharging

Although surcharging at the ATM in the U.S. continues to generate considerable negative publicity and has prompted both state and federal legislative proposals, the issue is now largely in the hands of the banks, not the card systems. However, the potential for surcharging at the point of sale in EU and CEMEA countries is very problematic. The U.S. still faces POS surcharging with respect to card acceptance in the government sector.

The action was for me to meet with the U.S. Market Development team (Linda Gage and Walt Conway) which I did to explore what had been done historically in the U.S. to address various surcharging issues. In discussing the issue with Linda and Walt, they raised the question: if merchants surcharge, what happens to interchange? Linda feels we need to have a true answer to the cost of processing checks and whether, in fact, those costs are higher than costs associated with card acceptance. Visa, she believes, needs to understand the costs of various payment systems and if Visa is truly more expensive, should fix the cost structure. They both felt it was an issue of economics.

With respect to a merchant education program, the U.S. has conducted programs like these in the past which can be used as a base point for us to create similar turn-key programs for use by the EU and CEMEA regions (this is a budgeted item for 1998).

SET and Security of Electronic Commerce

There was discussion about various SET concerns. Ray suggested we review the two SET papers that were going before the MEC before taking any action. I have attached those documents for your review and comments.

Bankruptcy

This was viewed as a global issue, not one confined to the U.S. As part of 1998 budget, a "best practices" report will be compiled for regional Corporate Relations use to address (1) how to avoid high personal debt and (2) corporate responsibilities programs in the area of consumer education.

Sub Regional Switch (CEMEA)

This was viewed to be a region-specific issue and not global in nature.

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Bankers Roundtable BITS

At Ray's suggestion, Jan and Susan met with BCG's Bobby Mehta to obtain a better understanding of this issue. Bobby noted that executives from both Visa International and Visa U.S.A. are working closely with BITS to ensure that Visa has a voice and that BITS decisions reflect our input.

Attachments

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